

# Fiscal Note

*Fiscal Services Division*



---

**HF 2439** – Sales Tax Exemption - Automotive Inputs (LSB 5512HV)  
Analyst: Shawn Snyder (Phone: 515-281-7799) ([shawn.snyder@legis.state.ia.us](mailto:shawn.snyder@legis.state.ia.us))  
Fiscal Note Version – New

---

## **Description**

Section 1 of **HF 2439** provides a sales tax exemption for auto body repair materials. Section 2 provides a sales tax exemption for inputs used in a car wash for a retailer providing a car wash service. The Bill is effective on enactment.

## **Assumptions**

Section 1 assumptions:

- Average total repair costs in Iowa are estimated at \$262.9 million in the base year and 10.3% of the cost are for materials impacted by the Bill.
- Growth in taxable sales are estimated at 3.7% in FY 2012, 3.4% in FY 2013, 3.7% in FY 2014, and 4.4% in FY 2015.
- Cost mark-up for the auto body repair dealers is assumed at 30.0% for the cost of materials.
- All auto body repair dealers will provide a value for the used materials in the bill of sale and that amount will be subject to sales tax payable by the consumer.
- The effective date will be May 1, 2012.

Section 2 assumptions:

- Based on data from the Iowa Department of Revenue, average total taxable sales between FY 2008 and FY 2010 was \$85.8 million. Of this amount, inputs are assumed to be approximately 14.4% of the total taxable sales.
- Growth in taxable sales are estimated at 3.7% in FY 2012, 3.4% in FY 2013, 3.7% in FY 2014, and 4.4% in FY 2015.
- The effective date will be May 1, 2012.

## **Fiscal Impact**

The following table provides the fiscal impact of Section 1, Section 2, and the net impact on the General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and the impact on statewide local option sales tax (LOST) revenues.

### Estimated Fiscal Impact Sales Tax Exemptions

	Total State Sales Tax	General Fund	SAVE	LOST
FY 2012: Auto Repair Material	\$ 65,059	\$ 54,216	\$ 10,843	\$ 9,434
FY 2012: Car Wash Inputs	-127,675	-106,396	-21,279	-18,513
<b>FY 2012: Net Impact</b>	<b>-62,616</b>	<b>-52,180</b>	<b>-10,436</b>	<b>-9,079</b>
 FY 2013: Auto Repair Material	 \$ 403,628	 \$ 336,357	 \$ 67,271	 \$ 58,526
FY 2013: Car Wash Inputs	-792,098	-660,082	-132,016	-114,854
<b>FY 2013: Net Impact</b>	<b>-388,470</b>	<b>-323,725</b>	<b>-64,745</b>	<b>-56,328</b>
 FY 2014: Auto Repair Material	 \$ 418,563	 \$ 348,802	 \$ 69,760	 \$ 60,692
FY 2014: Car Wash Inputs	-821,406	-684,505	-136,901	-119,104
<b>FY 2014: Net Impact</b>	<b>-402,844</b>	<b>-335,703</b>	<b>-67,141</b>	<b>-58,412</b>
 FY 2015: Auto Repair Material	 \$ 436,979	 \$ 364,149	 \$ 72,830	 \$ 63,362
FY 2015: Car Wash Inputs	-857,548	-714,623	-142,925	-124,344
<b>FY 2015: Net Impact</b>	<b>\$ -420,569</b>	<b>\$ -350,474</b>	<b>\$ -70,095</b>	<b>\$ -60,982</b>

SAVE = Secure an Advanced Vision for Education

LOST = Local Option Sales Tax

### **Sources**

Iowa Department of Revenue

Body Shop Business, State of the Industry Reports (2006, 2008, 2010-11)

Iowa Collision and Repair Association

LSA analysis and calculations

/s/ Holly M. Lyons

March 15, 2012

---

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to [Iowa Code section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

---